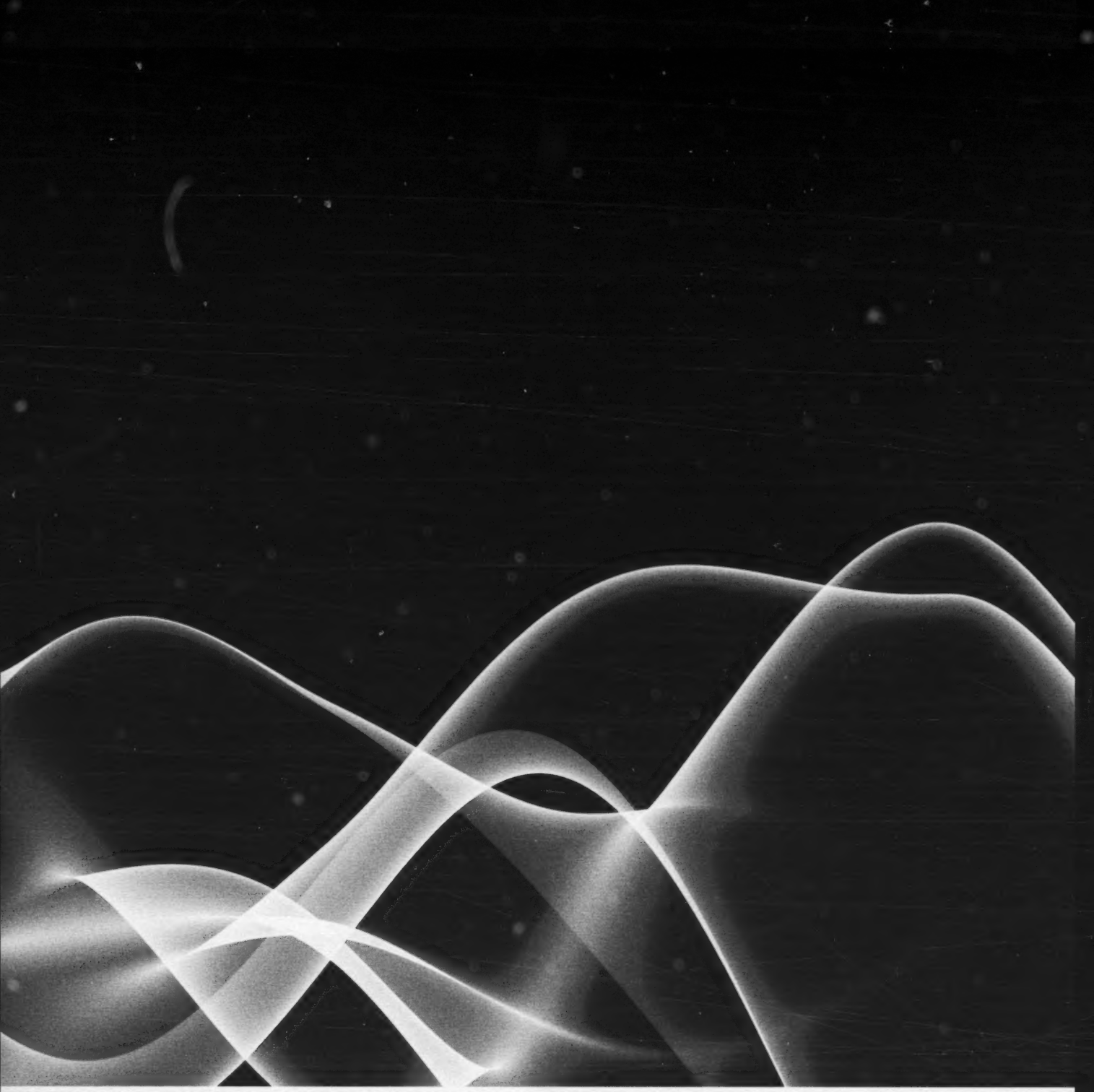

ANNUAL SERVICE PLAN REPORT
FISCAL YEAR 2010/11

FOR THE PERIOD APRIL 1, 2010 TO MARCH 31, 2011

BCIC

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MESSAGE FROM THE CHAIR

Greg Aasen
Chair, BC Innovation Council

Dear Minister Bell,

On behalf of the Board of Directors and the employees of BCIC, I am pleased to present the organization's Annual Service Plan Report for the fiscal year 2010/11.

BCIC is the Province's lead organization with a mandate to develop entrepreneurial talent and commercialize technology to make British Columbia the best place in the world to start and grow technology companies.

As a reflection of BCIC's refined mission in 2009, new goals and measures were adopted in BCIC's 2010/11 – 2012/13 Service Plan. Therefore, this is the first year BCIC is reporting on these five new measures. For 2010/2011, BCIC established a formal reporting and measurement system for the BC Regional Science and Technology Network (BCRSTN) and the University Industry Liaison Offices to ensure full accountability. As a result of the increased collaboration and partnership with BCIC, the regional councils and liaison offices helped BCIC surpass our goals for this fiscal.

Over the past 12 months, BCIC has continued to work closely with its partners in industry and academia to deliver programs and initiatives to achieve this mission, and as a result, benefit British Columbia's technology sector. Specifically, BCIC continued to:

1. Create and support programs that **develop and retain entrepreneurial talent and promote the commercialization of technology**. From idea conception right through to exit or anchor, the desired outcome of these programs combined is to ensure that the appropriate resources are in place to help entrepreneurs be successful. For example:

    - In fall 2010, BCIC launched the **BCIC Mentor Program** delivered in partnership with Academy for Technology CEOs (ACETECH). The program matches early-stage entrepreneurs with experienced and qualified leaders in the technology industry to provide guidance and support to help improve the success of technology companies in British Columbia. As of March 31, 2011, more than 40 mentors from the Okanagan, Victoria and the Lower Mainland had been accredited and accepted into the program, and on their way to begin working with founders and CEOs of local technology ventures. The program, already active in Okanagan and the Lower Mainland and set to launch in Victoria in fall 2011, anticipates 10 to 15 new companies entering the program every month. BCIC aims to have 100 mentors and 100 companies enrolled in the program by the end of the 2011/12 fiscal year.

    - BCIC continued to drive the development of a network of incubators and accelerators with partners in industry and academia in the delivery of its **entrepreneurship@ program** at UBC, UVic, Wavefront and Bootup Entrepreneurial Society. The entrepreneurship@ programs, designed to create and launch new, sustainable technology companies in British Columbia, were successful in supporting several performance measures in 2010/11. To date, 46 entrepreneur participants (29 companies) have benefited from the programs.

    - In 2010/11, BCIC also financed seven University Industry Liaison Offices (UILOs) and eight regional councils that make up the **British Columbia Regional Science and Technology Network (BCRSTN)**, including the newly formed Accelerate Okanagan (AO). BCIC initiated and facilitated the successful merger of the Okanagan Science & Technology Council (OSTEC) and the Okanagan Resource & Innovation Centre (ORIC) and looks forward to working closely with AO to increase the number of technology companies that start and grow in the Okanagan. The direct services and programs offered by the regional councils and industry liaison offices continue to be instrumental in helping BCIC achieve its mission.

      For example, with over 800 technology companies employing more than 13,000 people, Greater Victoria is fast becoming a major technology centre in Canada. This is in large part due to the efforts of the Victoria Advanced Technology Centre (VIATeC) and their suite of program offerings that bring entrepreneurs and other members of the local technology community together.

2. **Raise the awareness of British Columbia as a great place to start and grow technology companies** through multiple channels including traditional media, social media and events, with the support of our partners in industry, academia and government. In 2010/11, BCIC was successful in sharing 170 British Columbia success stories, in large part to the Councils' increased participation in social media. BCIC will continue to build on its efforts to raise awareness of British Columbia's startup environment and successes.

Through leveraging of funds, knowledge and industry expertise, BCIC maximized the value of every dollar spent. BCIC's existing resources are fully committed to Board-approved programs and initiatives.

From a fiscal perspective, 2010/11 expenditures totaled $10.658 million, which are in line with the forecast set out in our 2010/11 – 2012/13 Service Plan.

BCIC remained in a strong financial position at the end of fiscal 2010/11, having unrestricted net assets of $6.3 million. Along with the funding it received from the Government of British Columbia, BCIC continued to partner with federal and provincial government agencies, research institutions, industry and regional groups to carry out programs and initiatives that aligned with our mandate.

Innovation and the commercialization of technology are widely acknowledged as major driving forces of economic growth and prosperity. As we make our way into a new decade, BCIC will be at the core of strengthening and developing our province's knowledge economy. Through its established partnerships with industry, government and research institutions, BCIC's initiatives will connect technology entrepreneurs with the natural resource sector to create technologies greatly in need. The net result will be an increase in the successful commercialization of technology in British Columbia.

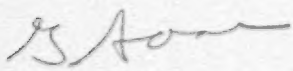
To achieve BCIC's mission of promoting the development of entrepreneurs and the commercialization of technology, BCIC will implement the following strategies to fortify BC's technology sector and support the creation of new technology jobs in British Columbia:

- Continuously measure the performance of the existing programs of BCIC and its partners that support BC's technology entrepreneurs;
- Collaborate with our technology community partners to create the necessary programs to successfully move companies from one stage to the next;
- Reinvest in programs that have proven to be successful to companies; and
- Demonstrate our success globally in order to retain and attract entrepreneurs.

We are confident that the dollars expended to cultivate the entrepreneurial infrastructure in British Columbia will continue to pay off and in turn, create more job opportunities and provide a high standard of living for British Columbians. BCIC, with strong support from its industry partners and government, will strive to work even harder to promote entrepreneurial talent and commercialization of technology, as the bar was set high when we achieved our goals last year.

I would like to thank you, as well as Deputy Minister Dana Hayden and Ministry personnel, for your strong support. I look forward to our continued conversations and collaborations as we work towards building the best economic opportunities for British Columbians and strengthening BCIC's role in growing our knowledge economy.

Yours truly,



Greg Aasen
Chair, BC Innovation Council

June 7, 2011

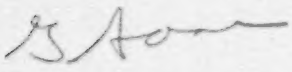
ACCOUNTABILITY STATEMENT

The 2010/11 BC Innovation Council Annual Service Plan Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act. The Board is accountable for the contents of the report.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of BCIC for the 12 months ending March 31, 2011. The measures presented are consistent with BCIC's mission, goals and objectives, and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to confirm that performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks as of March 31, 2011, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Its contents are consistent with the Shareholder's Letter of Expectations received from the Minister of Small Business, Technology and Economic Development in 2010.



Greg Aasen
Chair, BC Innovation Council

June 7, 2011

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ORGANIZATIONAL OVERVIEW

The BC Innovation Council is a provincial Crown agency operating under the British Columbia Innovation Council Act (Amended in Bill 15 - 2006).

BENEFITS FOR BRITISH COLUMBIANS

A fundamental function of BCIC is to promote economic development. In the context of the Council's mandate, this is best accomplished by training and supporting science and technology entrepreneurs to develop successful companies resulting in job creation and tax revenues for the province. BCIC's programs help train and educate entrepreneurs and monetize research into commercial ventures. In the process, we are also increasing awareness of British Columbia as a viable location for the international business community to invest in.

MANDATE

The Provincial Government has provided the following direction to the Council in order to ensure it fulfills its objectives as stated in Section 3, Objectives of Council, of the British Columbia Innovation Council Act:

i. Encourage development and application of advanced or innovative technology and the talent that drives it to meet the needs of industry in British Columbia. This includes the implementation, administration and funding of programs and the organization and management of projects and initiatives that serve to further the objectives set out in this section;

ii. Consider all matters brought to its attention by the Minister and if required by the Minister, report its findings to the Minister;

iii. Formulate recommendations to the government respecting the acquisition, development and dissemination of scientific, technological and scholarly knowledge to promote the industrial, economic and social development of British Columbia;

iv. Advise the Minister on implementation of science policy;

v. Gather and organize information on scientific research;

vi. Facilitate discussions on science policy with Canada or a province or with an interested person;

vii. Recommend to the Minister, the establishment and awarding of fellowships, scholarships, exhibitions, bursaries, grants and prizes to encourage development of improved technology and retention of skilled research personnel in British Columbia; and,

viii. Evaluate research and development proposals and make recommendations to the Minister respecting funding of these proposals.

The Council's actions and decisions shall be broadly guided by the principle of maximizing value for money. This philosophy shall be articulated in both actions and reporting. The activities of the Council shall be compliant with Government's investment principles for the advancement of research and innovation in British Columbia, as articulated in the British Columbia Research and Innovation Strategy.

VISION

A strong and rapidly growing knowledge economy resulting in a better life for all British Columbians.

MISSION

To promote the development of entrepreneurs and the commercialization of technology.

ORGANIZATIONAL OVERVIEW

VALUES

BCIC's core values guide its operations:

- **Results valued by shareholders and clients:** BCIC is very results oriented, gauging its success by the positive outcomes of its activities. The Council is continually monitoring its programs and services with its partners and clients to ensure outcomes clearly fulfill its mandate.
- **Collaboration:** At the core of all BCIC programs is a synergy developed through collaboration with partners to create programs valued by BCIC clients and stakeholders.
- **Integrity:** BCIC is firmly committed to meeting the highest standard of integrity expected by citizens and government alike. As a result BCIC is openly accountable in all its activities by ensuring that efficient, transparent and fair processes are followed.
- **Entrepreneurial:** Just as BCIC promotes an entrepreneurial spirit amongst those starting ventures in the province, it is committed to fulfilling its own mandate and running its operations with the same entrepreneurial spirit in mind. Being a relatively small agency allows the Council to put creativity and originality at the forefront of its programs.

CORPORATE GOVERNANCE

BCIC follows, and is in compliance with, the Board Governance guidelines posted on the Board Resourcing and Development Office (BRDO) website.

The Lieutenant Governor, through Order-in-Council, appoints the members of the BC Innovation Council Board, and delegates the role of the Chair. The Board Chair reports to the British Columbia Legislative Assembly through the Minister of Jobs, Tourism and Innovation. The Board of Directors has 11 members:

- Greg Aasen, Chair
- Jonathan Burke
- Gurval Caer
- Robin Ciceri
- Richard Glickman
- Doug Horswill
- Greg Kerfoot
- Jill Leversage
- Martha Salcudean
- Cheryl Slusarchuk
- Morgan Sturdy

There are currently four vacancies.

THE BOARD

- Sets the strategic direction and approves appropriate plans from management;
- Recruits, empowers and monitors the executive management;
- Shepherds and safeguards Council resources, approving major financial decisions, ensuring internal controls are in-place and addressing areas of risk; and,
- Measures corporate performance, reporting regularly to the stakeholders to ensure compliance with applicable laws and ethical standards.

BOARD COMMITTEES

The **Audit and Finance Committee** helps the Board fulfill its obligations and oversee responsibilities relating to the audit process, financial reporting, corporate control systems and risk management. When required, it makes recommendations to the full Board for approval.

- Committee members: Jill Leversage (Chair), Jonathan Burke, and Cheryl Slusarchuk

The **Governance and Board Nomination Committee** reviews Board policies and practices, ensuring the Council fulfills its legislated mandate and implements effective due diligence over the Council's governance.

- Committee members: Morgan Sturdy (Chair), Greg Kerfoot, and Richard Glickman

The **Programs Committee** reviews and approves all major programs BCIC management brings forward for due consideration. The Committee may, from time to time, be the source of new program ideas and the design thereof.

- Committee members: Greg Aasen (Chair), Cheryl Slusarchuk, Robin Ciceri, and Greg Kerfoot

The **HR and Compensation Committee** oversees the Council's HR policies as well as creates the organization's compensation guidelines.

- Committee members: Doug Horswill (Chair), Richard Glickman, and Gurval Caer

CORPORATE GOVERNANCE

GOVERNANCE PRINCIPLES

The Council's Board has adopted the guiding principles outlined in the Province of British Columbia's Governance Framework for Crown Corporations in establishing a framework from which to operate.

These principles include:

- Stewardship, leadership and effective functioning of the Board,
- Performance and value, innovation and continuous improvement.

GOVERNANCE DISCLOSURE

The Council's governance documents and related disclosure practices are available at www.bcic.ca/about-us/about-us/board-of-directors/governance, as well as from BCIC's Controller who keeps a full log and library of all documents related to Council and its activities. BCIC maintains that its operations are in compliance with governance best practices.

SENIOR MANAGEMENT TEAM

Mark Payne – Acting Chief Executive Officer

Dean Prelazzi – Vice President, Idea & Market Validation Stage

Lin Kishore – Director, Marketing & Communications

Paulin Laberge – Entrepreneur-in-Residence

LOCATION

BCIC's office is located at the Leading Edge Technology Centre in downtown Vancouver, where technology industry associations and other complementary organizations are also located. These include:

- Academy for Technology CEOs (ACETECH)
- BC Progress Board
- BC Renaissance Capital Fund
- BC Technology Industries Association (BCTIA)
- Digital Media and Wireless Association of BC (DigiBC)
- Leading Edge Endowment Fund
- LifeSciences BC
- New Ventures BC Society
- Science Fair Foundation BC

OVERVIEW OF CORE BUSINESS

BCIC is the Province's lead organization with a mandate to promote the development of entrepreneurial talent and the commercialization of technology to competitively position British Columbia in today's global knowledge economy.

To achieve this, BCIC has created programs designed to foster talent development and retention and technology commercialization. These programs are often partnerships with organizations and academic institutions enabling the Council to cater to the specific needs of technology entrepreneurs based on the stage of their business.

BCIC's programs focus on sectors where BC has competitive advantages. They include information communications technology, wireless, digital media, web 2.0, video games, digital animation, special effects, clean technology and life sciences.

BCIC PROGRAMS

BCIC has three program areas with programs and initiatives under each to meet its mandate. The program areas are as follows:

- Entrepreneurial Talent Development and Retention
- Commercialization of Technology
- Technology Awareness

PROGRAM AREA: ENTREPRENEURIAL TALENT DEVELOPMENT AND RETENTION

BCIC helps to foster an environment that encourages people to become entrepreneurs. BCIC is also helping to create an entrepreneurial environment supporting high quality jobs that will allow technology entrepreneurs to stay and succeed in British Columbia. For example:

- The **BCIC Mentor Program**, delivered in partnership with Academy for Technology CEOs (ACETECH), is a province-wide development program for early-stage entrepreneurs to help improve the success of technology companies in British Columbia. The program matches CEOs and founders of technology ventures eager to benefit from the experience, guidance and support of seasoned technology entrepreneurs.
- The program, already active in Okanagan and the Lower Mainland and set to launch in Victoria in fall 2011, anticipates 10 to 15 new companies entering the program every month. BCIC aims to have 100 mentors and 100 companies enrolled in the program by the end of the 2011/12 fiscal year.

All of BCIC's programs related to business incubation and acceleration are heavily oriented toward the development of entrepreneurial talent.

PROGRAM AREA: COMMERCIALIZATION OF TECHNOLOGY

BCIC's commercialization of technology program area focuses on building incubators, accelerators and facilitating partnerships between academia and industry to solve real world problems through direct and applied research.

Building a network of incubators

BCIC is building a network of incubators inside educational institutions to train students to become entrepreneurs and launch startup companies. For example:

- **entrepreneurship@UBC:** BCIC has developed this program at UBC to provide students with mentorship from the business community and an opportunity to start their companies with pre-seed capital from the program's venture fund.
- **entrepreneurship@UVic:** Developed in partnership with the University of Victoria (UVic), Wesley Clover and the Alacrity Foundation, this program offers engineering graduates specialized entrepreneurship training and real life experiences, guidance and mentorship from successful technology developers and investors. Upon completion of the program, students will leave with Master's degrees; entrepreneurship graduate diplomas will have developed their own companies.

Building a network of accelerators

BCIC is also building a network of business accelerators to rapidly grow early-stage technology companies through a variety of programs. For example:

- **BCIC-New Ventures Competition:** BCIC has partnered with the New Ventures BC Society to deliver the annual technology idea competition designed to provide entrepreneurs with the tools and resources needed to successfully take their ideas to the marketplace.
  - The 2009/10 BCIC-New Ventures Competition attracted more than 140 applicants from all corners of the province. In total, over $300,000 in funding was awarded to the top three entrepreneurs.
  - The first ever regional competition was launched in 2010. The BCIC-New Ventures Competition: Regional attracted more than 40 applicants and a total of $60,000 in prize money was awarded to the winners from Victoria, Roberts Creek and Kamloops.
- **entrepreneurship@Wavefront:** In partnership with Wavefront, entrepreneurship@Wavefront is an entrepreneurship acceleration program for BC Wireless technology companies designed to support and nurture early-stage BC wireless companies for their first 12 months as they move from technology concept to commercial launch.
  - The first eight participant companies in the entrepreneurship@Wavefront program have collectively earned approximately $300,000 in revenue, created 10 new jobs and successfully attracted $250,000 in additional private funding.

Increasing partnerships between academia and industry

BCIC will also be instrumental in increasing partnerships between academia and industry to solve real world problems through direct and applied research. BCIC is currently developing initiatives for launch in this fiscal year.

BCIC's annual CONNECT event is currently the flagship event for introducing industry people to research teams from academia.

PROGRAM AREA: TECHNOLOGY AWARENESS

Underlying all its programs and initiatives is the Council's intention to increase awareness of BC's science and technology sectors domestically and internationally. BCIC does this by:

Linking BC companies to international growth opportunities

BCIC links BC technology companies to opportunities that provide international exposure and offers the potential for valuable connections leading to partnerships, collaborations and growth. For example:

- This year, BCIC again supported **Metabridge**, an initiative that provides BC technology companies with direct connection and access to key international technology partners for customer, investment, strategic partnerships, mentorship and advisory opportunities.

Increasing awareness of BC achievements

BCIC increases awareness of the incredible achievements of BC's technology community through prominent recognition events. For example:

- **CONNECT:** BCIC has developed CONNECT, a unique networking event that provides technology startups with access to prominent BC technology leaders to receive valuable feedback and advice.

  Over 1,100 people attended CONNECT 2010, including mentors, investors, major corporations, universities, service providers and more than 400 entrepreneurs from more than 300 companies. 50 startups or student companies (including regional science fair winners) showcased their technologies at CONNECT 2010.

BCIC continues to work with industry, government and the province's academic institutions to identify opportunities and gaps in its strategies directed at developing entrepreneurs and promoting the commercialization of technologies. Once identified, BCIC works together with these partners to address these needs through the development of new initiatives or the refinement of existing ones.

BCIC plays an integral role in helping shape the development of British Columbia's knowledge economy. Because this role is so fundamental for economic development in British Columbia, the Council considers it critical to have accurate performance measures to track its progress in fulfilling its mandate. Therefore, as a reflection of BCIC's refined mission in the 2009/2010 fiscal year, new goals and measures were adopted in BCIC's 2010/11-2012/13 Service Plan. This is the first time these measures are being reported on, and therefore BCIC is unable to provide a comparison to previous results.

For 2010/2011, BCIC established a formal reporting and measurement system for the BC Regional Science and Technology Network (BCRSTN) and the University Industry Liaison Offices to ensure full accountability. As a result of the increased collaboration and partnership with BCIC, the regional councils and liaison offices helped BCIC surpass our goals for this fiscal.

GOAL 1: ENTREPRENEURIAL TALENT DEVELOPMENT & RETENTION

Building the entrepreneurial infrastructure and creating high quality jobs for British Columbians

To meet the growing need for highly qualified personnel within British Columbia's technology sector, BCIC fosters an environment that encourages British Columbians to become technology entrepreneurs. BCIC is further helping to build the entrepreneurial infrastructure and create high quality jobs for British Columbians.

Objectives

- To improve early-stage commercialization skills of entrepreneurs in the British Columbia science and technology community. Examples of these skills include business management, leadership, ability to communicate with investors, customers and other stakeholders.

Strategies

- Identify and provide relevant knowledge and training to support early-stage entrepreneurs to commercialize their concepts.
- Partner with educational institutions and industry organizations to provide relevant knowledge and training for early-stage entrepreneurs.

Program Example

BCIC financed eight regional councils of the BC Regional Science and Technology Network and seven University Industry Liaison Offices in 2010/11. Each regional council and the industry-liasion office provide a variety of direct services and programs, including business coaching, which helps build knowledge and training for entrepreneurs and improve the success of technology companies in British Columbia.

Measure 1: Action Plans for Technology Entrepreneurs		
The number of Action Plans completed by BCIC for technology entrepreneurs that will directly advance their early-stage commercialization skills and improve their chances for commercial success.		
Past Performance	2010/11	
2009/10	Target	Actual
N/A*	75	463

***Measure established in BCIC's 2010/11-2012/13 Service Plan. This is the first time reporting on this measure.**

Description of Measure

This measure records the number of Action Plans developed for early-stage entrepreneurs by BCIC. An Action Plan is a document describing strategies and next steps as recommended by BCIC experts to improve entrepreneurs' business plans, enhance their skills and marketability and improve their opportunities to gain access to capital funding. Performance targets are based on similar past Council activities.

Importance of Measure

An Action Plan provides expert advice to help budding entrepreneurs understand what their "best and most important next steps" are in the development of their enterprises. A solid business foundation of key skill sets is vital in the early stages of entrepreneurial development – an area where the BCIC can provide invaluable advice and guidance. Each technology entrepreneur that receives an Action Plan will have a much greater chance of commercial success, leading to long-term business growth and higher quality jobs for British Columbians.

Reason for Variance

This measure was exceeded because of new programs created by regional science and technology councils that resulted in an increase of entrepreneurs completing action plans. For example, 114 new companies took part in Victoria Advance Technology Council's (VIATeC) Grow-Op program. Kootenay Association for Science and Technology (KAST) and Mid Island Science and Technology Council (MISTIC) also created new coaching programs.

Measure 2: Satisfaction Rating of BCIC's Programs and Services		
The percentage of BCIC clients who are satisfied that the Council's programs and services will help advance the commercialization of their technology.		
Past Performance	2010/11	
2009/10	Target	Actual
N/A*	70%	80%

***Measure established in BCIC's 2010/11-2012/13 Service Plan. This is the first time reporting on this measure.**

Description of Measure

This measure provides a percentage of the general satisfaction BCIC clients have with the Council's programs. This measure is based on sample surveys where satisfaction is defined as a value of 7 or more on a 10-point satisfaction scale. Performance targets are based on similar past Council surveys.

Importance of measure

An important measure of BCIC's success comes from the feedback received by its technology clients who participate in the programs and services offered by the Council. The results will enable BCIC to assess how well it is delivering on its mission. The resulting information will help to shape, refine and improve Council offerings and position BCIC as an integral component to the growth and success of its client companies.

Reason for variance

BCIC ensured its programs are targeted to specific client needs. As a result, this past year's programs were well received by BCIC clients and the resulting satisfaction rating exceeded our target by 10%.

GOAL 2: COMMERCIALIZATION OF TECHNOLOGY

Building incubators, accelerators and facilitating partnerships between academia and industry to strengthen technology commercialization in British Columbia

BCIC is supporting the provincial shift from a resource to a knowledge-based economy by helping to commercialize technology and to effectively strengthen the province's global competitive position. The net result will be a more vibrant economy and more high quality jobs for British Columbians.

Objectives

- To increase the number of new businesses in British Columbia's technology sector.
- To increase the growth rate of small and medium-sized (SME) businesses in British Columbia's technology sector.

Strategies

- Build a network of incubators inside educational institutions to train students to be entrepreneurs and launch startup companies.
- Build a network of business accelerators to rapidly grow early-stage technology companies.

Program Example

- **entrepreneurship@UVic:** This incubator program is a partnership between BCIC and the University of Victoria, Wesley Clover and the Alacrity Foundation. The program offers engineering graduates practical entrepreneurship training as they work in pre-commercialization teams to develop marketable technology solutions for existing industry problems.

Measure 3: Revenue Growth of Technology Companies in BCIC's Programs and Services		
The number of technology companies supported through BCIC's program and services that have grown their revenue by 25% or more.		
Past Performance	2010/11	
2009/10	Target	Actual
N/A*	50	60

***Measure established in BCIC's 2010/11-2012/13 Service Plan. This is the first time reporting on this measure.**

Description of Measure

This measure reflects BCIC's impact on the revenues of technology companies it supports through its programs and services. The measure is tabulated through a survey undertaken by BCIC's program participants. To be included in this measure, participant companies must indicate that their revenue has grown by at least 25% in the current fiscal year due in part to BCIC's support. Survey participants will include all companies participating in BCIC programs and services.

Importance of measure

BCIC's role in developing and retaining entrepreneurial talent and commercializing technology ultimately increases company revenues, as indicated by this measure. This directly results in more high quality jobs and a better quality of life for British Columbians.

Reason for variance

British Columbia's regional councils and university industry liaison offices were important contributors to the success of this measure. For example, UBC and UVic created a number of spin-off companies including Plurilock Security Solutions, ViDA Therapeutics and SunCentral Inc. which resulted in this measure being exceeded.

Measure 4: Startup Growth Components Achieved by Entrepreneurs		
The number of key Startup Growth Components achieved by entrepreneurs who have been directly supported through BCIC's programs and services.		
Past Performance	2010/11	
2009/10	Target	Actual
N/A*	122	1976

***Measure established in BCIC's 2010/11-2012/13 Service Plan. First time reporting on this measure.**

Description of Measure

This measure captures key Startup Growth Components (please see Appendix A on page 37 for a complete list of these Components) entrepreneurs need to accomplish to effectively commercialize their concepts, paving the way for their early-stage growth. These Components can be customized to meet the unique needs of each entrepreneur, i.e. based on their specific industry sector or for their company's life stage. The following are examples of Startup Growth Components: i) early-stage market research plan, ii) IP strategy, iii) revenue model, iv) risk assessments, v) financing plan and vi) strategic selling and sales processes. Performance targets are based on similar past Council activities.

Importance of measure

It is imperative that British Columbia is able to expedite the commercialization of technology to increase the province's rate of economic growth as well as its competitive advantage. Achieving these Startup Growth Components and developing a solid business foundation will improve an entrepreneur's chance of commercial success.

Reason for variance

Successful programs implemented by the regional councils contributed to this measure being far surpassed. For example, this past year VIATeC offered an Angel Network program where each company submitted a full application providing evidence of the Startup Growth Components to be completed for the program. In addition, MISTIC received a NRC-IRAP contract to provide business coaching services and through this program companies achieved Startup Growth Components. Based on the incredible success of achieving this measure in this fiscal year, BCIC will increase the target for this measure next year.

GOAL 3: INCREASE AWARENESS OF BC'S KNOWLEDGE ECONOMY

In order to ensure continued economic growth in our province, it is important to increase awareness of the knowledge economy and its vital role for the future growth of the province. BCIC is doing its part by increasing the awareness of the success of local technology companies both locally and internationally, and by helping to position our province as a world class destination for international technology companies to establish a presence.

Objectives

- Increase awareness of British Columbia's science and technology sectors and their achievements domestically and internationally.

Strategies

- Develop and promote success stories of British Columbia technology entrepreneurs through print, digital, broadcast and social media, industry associations and other channels.
- Increase awareness of BCIC among British Columbia's science and technology stakeholders.

Program Example

BCIC works with British Columbia's industry associations, regional science and technology councils, academic institutions and other organizations to identify and promote technology success stories through multiple channels.

Measure 5: Technology Success Stories Promoted by BCIC		
The number of technology success stories, promoted by BCIC, published through print, digital, broadcast and social media, industry associations and other channels		
Past Performance	2010/11	
2009/10	Target	Actual
N/A*	110	170

***Measure established in BCIC's 2010/11-2012/13 Service Plan. This is the first time reporting on this measure.**

Description of Measure

This measure captures the reach of British Columbia technology success stories and is a count of the number of stories placed by BCIC through print, digital, broadcast and social media, industry associations and other channels.

Importance of Measure

It is essential to increase the awareness of the economic impact and success of British Columbia's technology companies to encourage new entrepreneurs, motivate existing ones and to create an environment that supports the growth successful startups. This will ultimately lead to more commercial success stories, greater employment in the sector and increased economic benefits for the province.

Reason for Variance

BCIC worked closely with technology startup companies to develop compelling articles on their successes. These articles were published on BCIC's website as well as through partner channels.

BENCHMARKING

BCIC is a unique organization with a valuable mandate; however, as BCIC continues to develop programs under its refined mission, it is investigating several organizations for benchmarking purposes. It is currently examining similar Crown corporations, academic and private organizations focusing on entrepreneurial talent development and the commercialization of technologies.

MANAGEMENT'S CONFIDENCE IN DATA INTEGRITY

BCIC's performance management and reporting systems include two components: financial and operational. The financial processes and systems are discussed in the Management Discussion and Analysis section of this report.

Management is confident of the operational data utilized in reporting the results of its activities. BCIC's sources of data include in-house records maintained through electronic databases. These records are based on internal reports, external surveys, and in cases where BCIC supports initiatives implemented by other partner organizations, it requests appropriate records be maintained and reported back as a condition of support. Data is collected throughout the year depending on the activity and verified according to established reporting guidelines to ensure consistency from past years and across similar activities.

Due to the nature of the data, accuracy is limited by human error. The level of confidence for internal data is at a higher level than those submitted externally. However, BCIC strives to verify questionable data as part of the monitoring process for reports submitted externally.

SHAREHOLDER'S LETTER OF EXPECTATIONS

Key Shareholder's Letter of Expectations' Sections	BCIC's Response
i) Continue to financially support the University Industry Liaison Offices (UILOs) and the British Columbia Regional Science and Technology Network (BCRSTN) and its member councils, and ensure their full accountability to the Council and the Shareholder by taking the following actions by October 1, 2010: a) completion of an overall partnership agreement indicating quarterly goals and measures as approved by the Council; b) completed communications letter of expectations, inclusive of the use of a partnership tagline; and, c) completed partnership performance outcomes report;	BCIC continues to financially support the UILOs and members of the BCRSTN. By establishing a reporting and measurement system, BCIC ensures their full accountability. Both the UILOs and BCRSTN member councils have completed a) an overall partnership agreement with projected goals and measures; b) a communications letter of expectations; and c) a performance outcomes report.
ii) Work with BCFRST Foundation to administer the current suite of programs announced in November 2008 under the $50 million Natural Resources and Applied Sciences Research (NRAS) Endowment;	On May 17, 2010, the results of the NRAS Research Team Program were determined and a total of $6.9M in awards were granted to 24 teams from British Columbia universities.
iii) Consult with the Ministry of Small Business, Technology and Economic Development (STED) before any further NRAS programming is considered;	In order to launch a second competition, the NRAS Endowment Fund must gain sufficient interest income. It is anticipated that it will take a minimum of three years for sufficient interest income to accumulate. As that date draws near, BCIC will work with BCFRST and the provincial government to determine the details of a second competition.
iv) Develop and implement business incubator and accelerator programs by October 1, 2010 that help to train students to be entrepreneurs and launch promising, small and medium-sized technology companies;	BCIC has created its entrepreneurship@ programs that develop student ideas into business ventures. Currently BCIC has its entrepreneurship@ programs at the following universities: UBC and UVic.
v) Continue to drive partnerships between academia and industry through directed and applied research projects;	BCIC has continued support of entrepreneurship@ UVic with Wesley Clover as the primary industry partner. Through them, the Alacrity Foundation and further collaboration with other industry partners we are driving product R&D. BCIC will also launch entrepreneurship@SFU, which will have industry participation going forward.

vi) Engage stakeholders and complete a technology business startup needs analysis by July 31, 2010 that will help to make efficient use of existing program resources, and improve collaboration among key technology start-up stakeholders including universities, non-profit organizations, industry and individuals;	BCIC conducted a startup needs analysis in 2010. As a component part of this needs analysis, a comprehensive technology startup acceleration resource inventory was assembled and circulated to all key stakeholders in the technology industry including BCTIA, DigiBC, ACETECH, UBC, SFU, UVic, BCIT, Discovery Parks, Vancouver Island Tech Park, Bootup Entrepreneurial Society and others. The inventory served to inform key industry stakeholders of the scope of services available in the community for startups and the opportunities for collaboration. Moreover, it anchored the continuing dialogue in the community regarding the creation of new resources to address gaps.
vii) Develop and implement a performance measurement tracking system by May 1, 2010 for all for the Council's programs to support the new performance measures that will be introduced in the Council's 2010/11 Service Plan;	BCIC has developed a tracking system to enable measurement of the Council's programs. This system includes surveys, face-to-face feedback and development of a reporting system with its program partners.
viii) Complete a five-year strategic action plan with performance measures by September 30, 2010;	A five-year strategic action plan was developed and presented to Deputy Minister Don Fast and his executive team in October 2010. This five-year plan included programs for students and startups to develop their business ideas into successful ventures.
ix) Provide advice to the Minister, as requested, in support of the advancement of technology commercialization and the entrepreneurial science and technology culture in British Columbia; and	BCIC continues to provide feedback and advice to the Minister in support of technology commercialization in the province.
x) Work cooperatively with the Premier's Technology Council and the BC Progress Board to advance innovative technology in British Columbia	BCIC collaborates with the Premier's Technology Council and the BC Progress Board to support technology commercialization in the province.

FINANCIAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

A summary of BCIC's financial results is presented below. Chart A details BCIC's current operations, with comparison to budget and the prior year's figures. The chart also includes the results of operations for the previous four years as well as forecast figures for the next three years. Forecasts are consistent with the 2010/11 Service Plan.

BCIC received the same level of funding in fiscal year 2010/2011 compared to the prior fiscal, and no deferred program revenue was utilized this year. External program funding and interest income were higher than budgeted as additional revenue was generated from annual event sponsorships, fees on program administration and higher interest return on investments. Savings in operations and salaries were reallocated to support programs and initiatives. BCIC's FTE positions are detailed in the chart below.

Chart A

SUMMARY OF FINANCIAL RESULTS AND BUDGET PROJECTIONS

(in thousands of dollars)

	2006/07	2007/08	2008/09	2009/10	2010/11				2011/12	2012/13	2013/14
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	BUDGET VARIANCE	YEAR VARIANCE	FORECAST	FORECAST	FORECAST
Revenues											
Province of BC											
Annual Funding	4,445	5,272	5,293	4,500	4,500	4,500	-	-	4,500	4,500	4,500
Additional Funding	-	4,000	4,000	4,000	4,000	4,000	-	-	4,000	4,000	4,000
	4,445	9,272	9,293	8,500	8,500	8,500	-	-	8,500	8,500	8,500
External Program Funding	1,499	778	345	213	242	126	116	29	210	210	210
Internal Program Funding (1)	-	1,057	6,390	2,195	29	-	29	(2,166)	-	-	
NRAS Endowment (3)	-	-	3,000	2,000	1,800	2,000	(200)	(200)	900	900	-
Interest and Other	626	1,173	217	62	87	44	43	25	45	45	45
Total Revenues	6,570	12,280	19,245	12,970	10,658	10,670	(12)	(2.312)	9,655	9,655	8,755
Expenditures											
Programs and Initiatives	4,031	5,389	11,016	8,079	6,349	5,670	679	(1,730)	6,038	5,972	5,972
NRAS Endowment (3)	-	-	3,000	2,000	1,800	2,000	(200)	(200)	900	900	-
Operating/General Admin	727	1,332	3,069	648	583	848	(265)	(65)	593	655	651
Salaries and Benefits	1,119	1,902	1,869	1,915	1,590	1,796	(206)	(325)	1,776	1,820	1,820
Rent	180	184	227	254	274	278	(4)	20	278	230	234
Amortization	29	40	64	74	62	78	(16)	(12)	70	78	78
Total Expenditures	6,066	8,847	19,245	12,970	10,658	10,670	(12)	(2.312)	8,755	8,755	8,755
Excess (Deficiency) of Revenue over Expenditure	504	3,433	-	-	-	-	-	-	-	-	-
Funds Committed to Future Programs (1)	17,549	20,249	13,866	11,722	11,722	11,694	28	-	11,722	11,722	11,722
Capital Expenditures	23	105	124	78	14	50	(36)	(64)	50	50	50
Total FTE's	13	19	28	24	20	22	(2)	(4)	22	22	22
Total Debt	-	-	-	-	-	-	-	-	-	-	-

(1) The balance of Funds Committed to Future Programs includes net assets and deferred revenue balances. Year-to-year changes include Excess (Deficiency) of Revenue over Expenditures, increases in capital assets, and changes to deferred revenues as detailed in Note 5 of the audited financial statements. For forecast purposes Internal Program Funding represents the use of Funds Committed to Future Programs as approved by Treasury Board.

(2) The above financial information, including forecast information, was prepared based on current Canadian Generally Accepted Accounting Principles.

(3) NRAS Program revenue and expenditure are included in the financial chart above.

Natural Resources and Applied Sciences (NRAS) Research Endowment Fund

In the 2005/06 fiscal year BCIC was charged with stewarding $50 million from the Province of British Columbia for the Natural Resources and Applied Sciences (NRAS) Research Endowment Fund. As an endowment, it is expected that the capital will be preserved and the interest earnings spent on program activities. In 2010/11, $1,800,000 was allocated to program initiatives.

Chart B

NATURAL AND APPLIED SCIENCES ENDOWMENT FUND

(in thousands of dollars)

	2006/07	2007/08	2008/09	2009/10	2010/11				2011/12	2012/13	2013-14
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	BUDGET VARIANCE	YEAR VARIANCE	FORECAST	FORECAST	FORECAST
NRAS Endowment Fund	50,000	50,000	50,000	50,000	50,000	50,000			50,000	50,000	50,000
Interest Accumulated, Beginning	-	2,059	4,273	3,031	1,209	1,209	-	(1,822)	76	201	326
Annual investment income	2,059	2,214	1,758	178	667	900	(233)	489	1,025	1,025	1,025
Program expenditures			(3,000)	(2,000)	(1,800)	(2,000)	200	200	(900)	(900)	-
Forecast Interest Balance	2,059	4,273	3,031	1,209	76	109	(33)	(1,133)	201	326	1,351

Assessment of Changes in Results and Reasons for Significant Variances and Trends

Funding from the Ministry of Small Business, Technology and Economic Development remained at $8.5 million in 2010/11, and it is expected to remain stable for the next three years.

External Program Funding reflect funds received from external, non-Ministry sources and include proceeds from annual event ticket sales and sponsorship and fees for services rendered. Internal Program Funding includes revenue for program activities funded through net assets reserves and deferred programs revenue, approved by the Government. No deferred program revenues were utilized in 2010/11.

BCIC's interest income increased due to a better rate of return on its investments compared to last year.

Programs and Initiatives expenditures are lower compared to last year because no deferred program revenues were utilized. However, BCIC still managed to establish new programs like the BCIC Mentor Program and expand the entrepreneurship development programs like entrepreneurship@SFU and entrepreneurship@Wavefront.

Operating and administration expenditures are lower compared to last year due to the decrease in administration cost as BCIC management strove to support existing and new programs. During late last year and early this year, BCIC streamlined its sector development team resulting in a drop in the total FTEs. However, new hiring is expected to achieve the goals outlined in the Service Plan 2011/12.

Overall, BCIC total expenditures are down by $2.3 million this year, mainly due to the freeze on the deferred program revenue reserves.

BCIC's capital expenditures are primarily for office and computer equipment and computer software.

Major Risks and Opportunities that Affected Financial Performance

The primary risk associated with the financial performance of BCIC is based upon the level of contributions it receives from principal funders. With growing fiscal restraint on BCIC's funding sources, annual funding levels have a significant impact on BCIC's operations. Strategies to mitigate this risk include ongoing communications with BCIC's existing and potential funding sources in order to build awareness of the level of support required. In addition, BCIC explores the development and implementation of programs and initiatives that are either self-supporting or leveraged with other revenue generating sources. BCIC has significant reserves; however, if reserves are frozen this will impair the development and roll out of future programs and initiatives.

With the establishment of the Natural Resources and Applied Sciences Endowment Fund, interest rate levels are a significant factor in the fund's income; the primary goal of investing the endowment is preservation of the principal.

Information on Subsidiaries

The Council's financial results are combined with those of the BC Advanced Systems Foundation (BCASF). In 2004, the Province of British Columbia announced a merger between the Innovation and Science Council of BC and the BCASF. At that time, the Council became known as the BC Innovation Council and its management team operated the affairs of the BCASF on its behalf. As directed by the Minister, the Council entered into an assignment and assumption agreement on March 30, 2007, whereby the assets and liabilities of BCASF were formally transferred to the Council to effect the original intention of the merger. BCASF is in the process of being wound up and it is expected that an Order in Council will formally complete that process in the near future.

FUTURE OUTLOOK

While the current uncertain economic climate is of continued concern, BCIC has a valuable leadership role in the province and is confident that government and other funding will continue at strong levels. BCIC plans to focus its efforts and launch a number of programs and initiatives under its new refined mission and also plans to continue to leverage funds from multiple sources.

BCIC will continue to work with its partners and develop new partnership opportunities for the purposes of building more efficient and valuable programs. An example of this is the entrepreneurship@UVic program where partners involved are Wesley Clover, Alacrity Foundation, MITACS, University of Victoria and Western Economic Diversification. Additional early-stage entrepreneurship development programs were launched during 2010/11, and BCIC will continue exploring and developing programs and initiatives that align with its mandate.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of the Council are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available up to June 1, 2011. The financial statements have been reviewed by BCIC's Audit Committee and approved by the Board of Directors.

Management maintains and relies on a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and that reliable and relevant financial information is available on a timely basis.

The financial statements have been examined by independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present BCIC's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfils its responsibility for financial reporting and internal controls. The Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors and appointment of external auditors. The external auditors have full and open access to the Audit Committee, with and without the presence of management.

Supplementary Documents and Statements

The signed Auditors' Report, Audited Financial Statements and accompanying notes to the financial statements (see page 31) follow.

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

Combined Financial Statements of

BRITISH COLUMBIA INNOVATION COUNCIL

Year ended March 31, 2011

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AUDITORS' REPORT TO THE DIRECTORS

To the Board of Directors

We have audited the accompanying combined financial statements of British Columbia Innovation Council, which comprise the combined statement of financial position as at March 31, 2011, the combined statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of the British Columbia Innovation Council as at March 31, 2011 and its combined results of operations and its combined cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Burnaby, Canada

June 1, 2011

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

BRITISH COLUMBIA INNOVATION COUNCIL

Combined Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents - unrestricted	$ 769,037	$ 2,736,193
Short-term investments – unrestricted (note 3)	5,796,723	4,456,107
Short-term investments – restricted (note 3 and 5)	5,275,184	5,246,023
Accounts receivable	70,664	71,846
Prepaid expenses	67,452	92,610
	11,979,060	12,602,779
Restricted cash and cash equivalents (note 6)	49,345	18,568,633
Restricted short-term investments (notes 3 and 6)	12,103,447	32,640,683
Restricted long-term investments (notes 3 and 6)	37,923,440	-
Long-term investments – unrestricted (note 3)	21	21
Capital assets (note 4)	161,187	208,909
	$ 62,216,500	$ 64,021,025
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 417,891	$ 1,089,440
Deferred program revenues (note 5)	5,275,184	5,246,023
	5,693,075	6,335,463
NRAS endowment liability (note 6)	50,076,232	51,209,316
Net assets:		
Invested in capital assets	161,187	208,909
Unrestricted	6,286,006	6,267,337
	6,447,193	6,476,246
Commitments and contingencies (note 7)		
Contractual obligations (note 8)		
Employee future benefits (note 9)		
	$ 62,216,500	$ 64,021,025

See accompanying notes to the combined financial statements.

Approved on behalf of the Board:

Director

Director

BRITISH COLUMBIA INNOVATION COUNCIL

Combined Statement of Operations

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Province of British Columbia	$ 8,500,000	$ 8,500,000
Program revenue (note 5)	-	1,484,204
Revenue from NRAS Endowment	1,800,000	2,000,000
Interest	87,449	60,054
Other income	242,061	213,207
Gain on equity investments	-	1,999
	10,629,510	12,259,464
Expenses:		
Program expenses and disbursements:		
Talent development and innovation	378,373	134,993
Contribution to NRAS program (note 6)	1,800,000	2,000,000
Commercialization	1,921,554	1,500,526
Science and technology fund	2,671,030	2,951,030
Sector programs	343,200	647,830
International program	-	1,296,544
Communications and recognition	424,143	313,904
Amortization	61,671	73,522
Operations	3,058,592	4,051,475
	10,658,563	12,969,824
Deficiency of revenue over expenses	$ (29,053)	$ (710,360)

See accompanying notes to the combined financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Combined Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

	Invested in capital assets	Unrestricted	2011 Total	2010 Total
Balance, beginning of year	$ 208,909	$ 6,267,337	$ 6,476,246	$ 7,186,606
Excess (deficiency) of revenue over expenses	(61,671)	32,618	(29,053)	(710,360)
Invested in capital assets	13,949	(13,949)	-	-
Balance, end of year	$ 161,187	$ 6,286,006	$ 6,447,193	$ 6,476,246

See accompanying notes to the combined financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Combined Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	$ (29,053)	$ (710,360)
Items not involving cash:		
Amortization of capital assets	61,671	73,522
Realized gain on disposal of long-term investments	-	(1,999)
Changes in non-cash operating working capital:		
Accounts receivable	1,182	24,088
Prepaid expenses	25,158	(67,506)
Accounts payable and accrued liabilities	(671,549)	718,180
Deferred program revenues	29,161	(1,433,581)
	(583,430)	(1,397,656)
Investing:		
Net change in short-term investments	19,167,459	(42,342,813)
Net change in long-term investments	(37,923,440)	-
Proceeds on sale of long-term investments	-	2,000
Purchase of capital assets	(13,949)	(78,322)
Decrease in endowment fund	(1,133,084)	(1,822,104)
	(19,903,014)	(44,241,239)
Decrease in cash and cash equivalents	(20,486,444)	(45,638,895)
Cash and cash equivalents (including restricted cash and cash equivalents), beginning of year	21,304,826	66,943,721
Cash and cash equivalents (including restricted cash and cash equivalents), end of year	$ 818,382	$ 21,304,826

See accompanying notes to the combined financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements

Year ended March 31, 2011

1. Authority and purpose:

British Columbia Innovation Council (the "Council"), was established in 2006 by an amendment of the Innovation and Science Council Act to the British Columbia Innovation Council Act (the "Act").

The Council is governed by a Board of Directors, who is appointed by the provincial government of British Columbia (the "Province"). The Council is exempt from the payment of income taxes under section 149 of the Income Tax Act.

The combined financial statements reflect the operations of the Council and the British Columbia Advanced Systems Foundation (BCASF) which is inactive and has no assets or liabilities.

Under Section 13 of the Act, directors, officers, and employees of the Council have certain immunities in the exercise of their duties carried out in their connection with the Council.

The Council's mandate is to support applied research and commercialization of science and technology in order to foster province-wide economic development.

2. Significant accounting policies:

(a) Basis of accounting and presentation:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid securities with original terms to maturity of three months or less when purchased and have been classified as held for trading.

(c) Short-term investments:

Short-term investments, which include investments with original terms to maturity of greater than three months and which mature within one year, are classified as available-for-sale and are recorded at market value with gains and losses related to changes in market values recorded in the combined statement of changes in net assets.

(d) Long-term investments:

Long-term investments, which include investments with terms to maturity of greater than one year, are classified as available-for-sale and are recorded at market value with gains and losses related to changes in market values recorded in the combined statement of changes in net assets.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements (continued)

Year ended March 31, 2011

2. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are amortized based on the methods and rates as shown in the schedule below:

Asset	Amortization
Furniture, fixtures and equipment	20% declining balance
Computer hardware and software	33% declining balance
Leasehold improvements	Lesser of the term of the lease and the useful life of the asset

(f) Revenue recognition:

The Council follows the deferral method of accounting for contributions. Unrestricted contributions and government grants are recorded as revenue when received or receivable, if the amounts can be estimated and collection is reasonably assured. Other unrestricted revenue, including sales of services and products, are reported as revenue at the time the services are provided or the goods delivered.

Investment income on unrestricted assets is recognized as revenue when it is earned.

Contributions externally restricted for non-capital specific purposes are recorded as deferred revenue and recognized as revenue in the year in which the related expense is incurred.

Investment income on externally restricted contributions, included in deferred revenue, is deferred and recognized as revenue in the year in which the related expense is incurred.

The Council provides office services to certain entities, the revenue from which is netted against the costs, with any margin reflected in other income.

(g) Employee future benefits:

The Council accrues employee vacation entitlements. The Council is a member of the Public Service multi-employer pension plan (note 9). Defined contribution plan accounting is applied to the multi-employer defined benefit plan and, accordingly, contributions are expensed.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas requiring the use of management estimates include the determination of useful lives of capital assets for amortization, accrual of liabilities and the fair value of financial instruments. Actual results may differ from these estimates.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements (continued)

Year ended March 31, 2011

2. Significant accounting policies (continued):

(i) Future accounting framework:

Effective April 1, 2011, the Council will be transitioning to Public Sector Accounting Standards (PSAB) on a retrospective basis. The Council is reviewing the impact of this change on the financial statements.

3. Investments:

During the year, certain short-term investments classified as held-to-maturity were sold prior to their date of maturity. Accordingly, short-term investments previously classified as held-to-maturity have been reclassified as available-for sale.

Restricted and unrestricted short-term investments consist of term deposits and guaranteed investment certificates maturing on dates through to January of 2012, bearing interest at rates ranging from 1.45% to 1.55%.

Restricted long-term investments consist of term deposits and guaranteed investment certificates maturing on dates through to November 2014, bearing interest at rates ranging from 1.70% to 2.55%.

Unrestricted long-term investments are share investments of previous BCASF program participant corporations received in exchange for all or a portion of loan or royalty interests. As at March 31, 2011, the Council has assessed these shares of privately-held corporations to have nominal market value. As such, these investments are recorded at a nominal value of $1 each for each company shareholding. The estimated market value of the long-term investments as at March 31, 2011 is $21 (2010 - $21).

4. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Furniture, fixtures and equipment	$ 155,567	$ 93,064	$ 62,503	$ 78,128
Computer hardware and software	373,651	274,967	98,684	130,590
Leasehold improvements	27,770	27,770	-	191
	$ 556,988	$ 395,801	$ 161,187	$ 208,909

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements (continued)

Year ended March 31, 2011

5. Deferred program revenues:

	2011	2010
Balance, beginning of year	$ 5,246,023	$ 6,679,604
Other contributions	-	31,235
Investment income	29,161	19,388
Less amounts amortized to program revenues	-	(1,484,204)
Balance, end of year	$ 5,275,184	$ 5,246,023

The funds required for these future expenditures have been separated and classified as restricted short-term investments.

6. Natural Resources and Applied Science Research Endowment ("NRAS"):

In fiscal year 2005/2006, the Council was charged with stewarding an endowment contribution of $50,000,000 from the Ministry of Economic Development for the support of training, research and development in natural and applied sciences. As an endowment liability, it is required that the capital will be preserved. As such, restricted cash, short-term and long-term investments of $50,076,232 equal to the endowment liability and unspent interest earnings are restricted.

Investment income earned from restricted cash and investments related to the endowment liability are credited directly to the endowment liability on the combined statement of financial position. These amounts are recognized as revenue when they are spent or disbursed in accordance with the restrictions of the endowment.

The endowment liability is calculated as follows:

	2011	2010
NRAS Endowment principal	$ 50,000,000	$ 50,000,000
Interest accumulated, beginning of year	1,209,316	3,031,420
	51,209,316	53,031,420
Annual interest income	786,070	286,662
Administration and professional fees	(119,154)	(108,766)
Program expenditures	(1,800,000)	(2,000,000)
Interest balance, end of year	(1,133,084)	(1,822,104)
Total balance principal plus interest	$ 50,076,232	$ 51,209,316

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements (continued)

Year ended March 31, 2011

6. Natural Resources and Applied Science Research Endowment ("NRAS") (continued):

During the year ended March 31, 2011, the Council contributed $1,839,000 (2010 - $2,689,097) to the Vancouver Foundation, into a fund to be known as the British Columbia Innovation Council Fund. Of this amount, $1,800,000 (2010 - $2,000,000) was contributed from the interest earnings on the NRAS Endowment and the remaining amounts were contributed from the Council's general revenues and are included in Commercialization (2010 - Sector Programs) expense. The Council's program directors provide input as to the disbursement decisions from this fund.

7. Commitments and contingencies:

(a) The Council's offices are occupied under a long-term lease with varying terms to November 29, 2014. Minimum annual payments include the Council's estimated share of utilities and other costs of occupancy.

(b) The Council is committed to lease a photocopier until August 2013 at a quarterly rental of $3,174.

Total estimated lease payments up to the end of the lease term are as follows:

2012	$ 300,540
2013	320,238
2014	339,773
2015	221,125
2016 and thereafter	-

8. Contractual obligations:

The Council has entered into a number of project grant contracts as at March 31, 2011 for the future funding of research projects to be completed subsequent to the year end.

These contractual obligations are funded in installments and payments are due based on conditions included in the contract being satisfied. As such, no liability has been accrued in the combined financial statements as the Council is not liable for payments until these conditions have been met.

The research project contractual obligations of the Council as at March 31, 2011 are $215,000 (2010 - $550,563).

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements (continued)

Year ended March 31, 2011

9. Employee future benefits:

The Council and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the *Public Sector Pension Plans Act* (the "Act"). The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. As the Plan is a multi-employer, defined benefit plan, the Council accounts for its payments on the basis of a defined contribution plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the Plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2008) indicated a surplus of approximately $487 million. The plan covers approximately 58,000 active employees. The next required valuation will be as of March 31, 2011 with results available in 2012.

During the year, the Council paid and expensed $108,733 (2010 - $126,206) to the Plan.

10. Capital management:

The Council receives its principal source of capital through funding received from government agencies. The Council defines capital to be net assets.

The Council's objective when managing capital is to fund its operations and capital asset additions. The Council manages the capital structure and makes adjustments based on the funding available and economic conditions. Currently, the Council's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding.

The Council is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes is used for the purpose outlined in the funding letter. Non-compliance with external restrictions may result in reductions of future funding for designated purposes.

11. Financial instruments:

The Council's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their immediate or short term to maturity. Short-term and long-term investments are recorded at their fair value.

12. Related parties:

The Council is related through common ownership to all Province of British Columbia ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

APPENDIX A: STARTUP GROWTH COMPONENTS

CONCEPT

1. Early-stage market research plan
2. Concept description PowerPoint
3. Product positioning statement(s)
4. One page strategic plan (next 12 months)
5. Product or technology focus

RESEARCH

6. 6. Acquiring research customer(s) for market testing
7. Customer pain and demand assessment
8. Competitive analysis
9. Detailed market analysis
10. Business plan PowerPoint (business plan summary)
11. IP strategy (trademarks and patents)
12. Starting a company (trademark name, register company, banking, tax numbers, licenses, permits, company charter and bylaws)
13. Capital or corporate structure
14. Assembling core team
15. IRAP or other sources of government funding (Futureworks, EBC, WD, SRED)
16. Tax jurisdictions (state, provincial, city, federal, capital and permanent residence)
17. Statutory compliance (WCB, labor statutes, licenses, taxes)
18. Compulsory requirements (insurance, bonding, safety, environmental, standards)
19. Identification of the target customer (ideal customer profile)

PROOF OF CONCEPT

20. Secure alpha and beta customers
21. Product commercialization analysis
22. Prototype
23. Business plan
24. Detailed budget and finance plan
25. Key market identification and market size analysis
26. Marketing/sales plan
27. Angel investment PowerPoint
28. Operations
29. Revenue model
30. Pricing strategy
31. Product cost model
32. Warehousing and distribution models

APPENDIX A: STARTUP GROWTH COMPONENTS

EARLY TRACTION

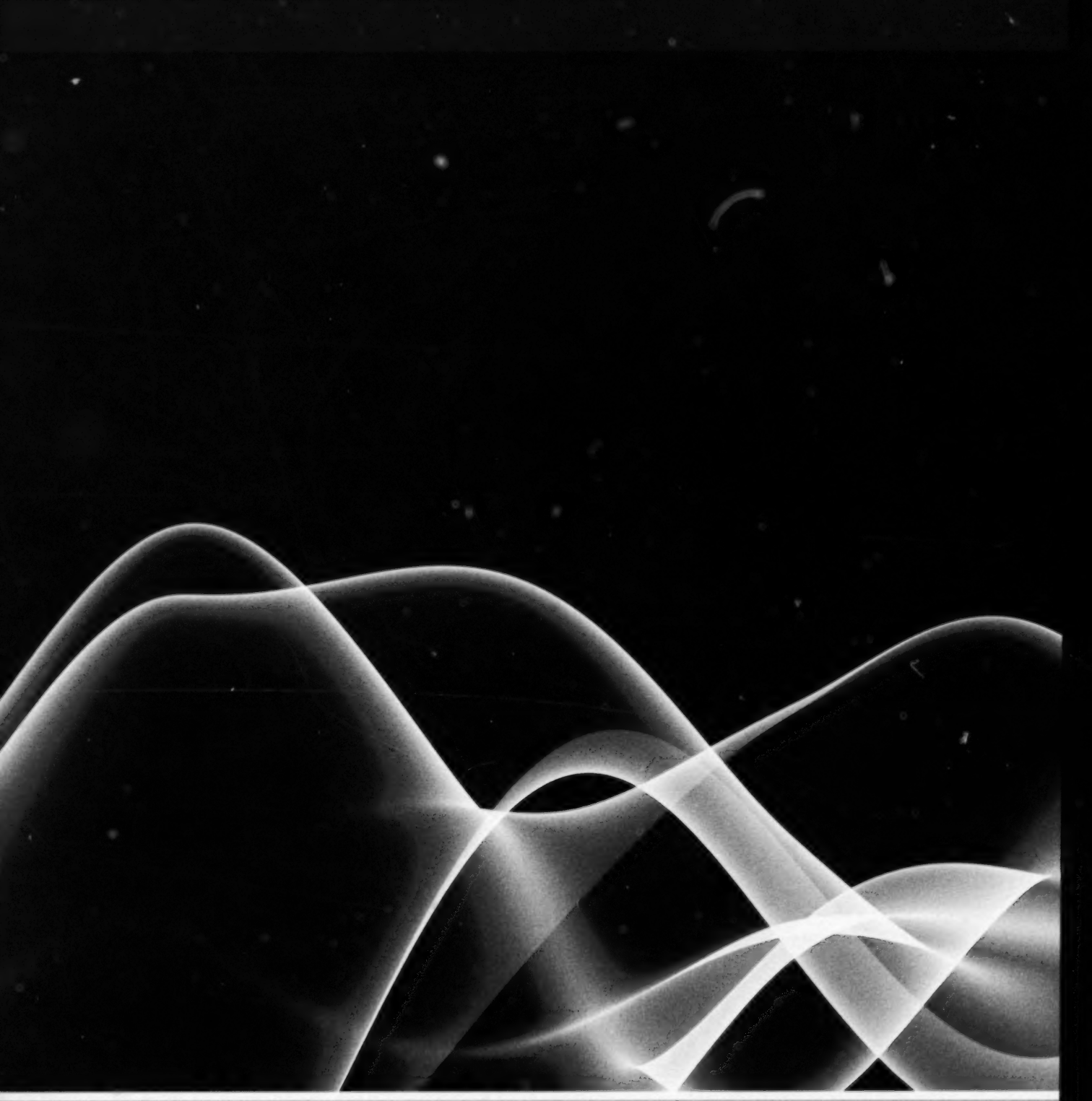
33. Secure lead customer(s) (early adopters)
34. Operations plan
35. Business plan executive summary
36. Business plan
37. 1st or 2nd financing
38. Getting or ensuring the right people are "on the bus"
39. Key agreements: shareholders agreement, employment, contracts, etc.
40. ESOP plan and tracking
41. Financing requirements
42. Financing plan
43. Financing presentation
44. Identify and introduce to sources of financing (angels, VCs, strategic partners)
45. Debt versus equity analysis

EARLY-STAGE GROWTH

46. Technology roadmap
47. Strategic selling and sales process
48. Sales funnel and management
49. Channels to market
50. Strategic partnerships
51. Marketing plan
52. Product roadmap
53. Branding statements
54. Sales plan
55. Exit strategy

OPERATIONS

56. Operations plan
57. Execution plans
58. Price elasticity and sensitivity/ability to manage costs
59. Capital acquisitions versus leasing options
60. Risk assessments
61. Cross border transactions
62. Financial models
63. Budget and cash plan
64. Mission, vision and core values
65. Purchasing, supply chain and logistics strategy
66. Manufacturing or outsourcing strategy
67. Quality control and revision or batch managemen



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